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FOREIGN INVESTMENTS IN GERMANY

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has also drawn on the recently published account of the stabilization of the mark by Dr. Hjalmar Schacht,* President of the Reichsbank, and two publications of the Institute of Economics, Washington, D. C.,—"Germany's Capacity to Pay" by H. G. Moulton and C. E. McGuire, and "World War Debt Settlements" by Leo Pasvolsky and H. G. Moulton.

P. L.

*Schacht, Hjalmar, *Die Stabilisierung der Mark*, Berlin, 1927.

FOREIGN INVESTMENTS IN GERMANY

THE economic recovery of Germany since the débâcle of inflation which demoralized her economic life is one of the most remarkable episodes in post-war history. It is closely linked with the reestablishment of prosperous trade in Europe as well as the question of Germany's ability to meet her obligations under the Dawes Plan.

Foreign nations, and especially the United States, have played a large part in this astonishing recovery, investing from five to six billion marks. Approximately 70 per cent of all loans floated abroad, or \$650,000,000, were issued in the United States before the end of 1926. It is of especial interest to Americans, therefore, to know the conditions surrounding German loans; the proportion

loaned to private German enterprises as distinguished from the German Reich, states and other public organizations; the legal security for these loans; the relationship between interest and amortization on private borrowings; Germany's ability to meet her obligations under the Dawes Plan; and the whole problem of transfer and exchange.

The following study, written for the *Information Service* by Dr. Paul Leverkus, Vice-President of the American & Continental Corporation, and formerly of the staff of the Mixed Claims Commission: United States and Germany, is an important contribution to the understanding of these complicated problems. Ed.

SINCE the stabilization of the mark and the subsequent adoption of the Dawes Plan, approximately five to six billion marks' worth of foreign capital has been invested in Germany, according to the most reliable estimates of statistical research workers and bankers' estimates. Approximately four billion marks of the total were in the form of loans, while the remainder was invested in real estate, shares, and other equities. One and a half billion marks were used for purchases of bullion and foreign exchange, and this amount has served as a basis for German currency.

According to a comprehensive list compiled by the Direction der Disconto Gesellschaft* and supplemented from other sources, approximately 3,860,000,000 marks have been taken in public loans. Of this amount, 2,600,000,000 marks were loaned to the Reich and to states, municipalities, municipal organizations, churches, and public utilities, while 1,260,000,000 marks went into private enterprises.

A summary of German borrowings for 1924-26, inclusive, is shown as follows:

	Reichsmarks	Dollars
German Reich, Municipalities, States and Public Enterprises	2,607,450,000	620,560,000
Private Enterprises	1,259,260,000	299,680,000
TOTAL	3,866,710,000	\$920,240,000

*A translation of this compilation is reprinted in the annex by courtesy of the Direction der Disconto Gesellschaft.

FOREIGN LENDERS TO GERMANY

The chief lenders to Germany during the period from 1924 to 1926, inclusive, were the United States, Holland, Great Britain, Switzerland and Sweden. The following table shows the amounts and the approximate percentages borrowed from the principal countries:

United States . . . RM	2,740,000,000	or	71 %
Holland	450,000,000	or	11 ½ %
Great Britain	360,000,000	or	9 ½ %
Switzerland	150,000,000	or	4 %
Sweden	60,000,000	or	1 ½ %
Other countries	100,000,000	or	2 ½ %
RM	3,860,000,000		

This does not give an entirely accurate picture, however, of the present holders of German loans, since the heavy buying of foreign issues by Germany during the last year has brought back to that country a large amount of the securities originally offered abroad. According to German estimates, more than 800,000,000 marks' worth of German bonds—a sum larger than one-fifth of all loans placed abroad and equal to the total amount of the Dawes Loan—were redeemed or bought back by German investors. This has been conspicuously true in the case of loans floated in the United States. Great Britain and Holland, on the other hand, have sold very little of their original holdings and have even bought some of the bonds originally held by other countries. Dutch bankers claim that at the present time more than 15 per cent of all German foreign issues are held in their country. This development is not unnatural since the largest supply was offered in the United States, and the English market was for a considerable period closed to foreign loans.

TYPES OF LOANS

Turning from lenders to borrowers, a distinction must be drawn between the loans to the German Government and various governmental agencies, and private German loans. The public loans fall into several categories:

1. Loans to the German Government. The German Reich consumed 800,000,000 marks (approximately \$190,000,000) under the Dawes Loan, the purpose of which as laid down in the Dawes Plan was to put the reconstructed Reichsbank on its feet and to take care of German reparation payments in the first year. In addition the Reich was interested in a loan of \$25,000,000 to the Deutsche Rentenbank-Kreditanstalt which was used for loans to German agriculture. The Reich also borrowed to the extent of \$13,500,000 for its industrial work (Electric Works and VIAG*), and guaranteed furthermore the loan for the construction of the Rhine-Main-Danube Canal.

2. Loans to German States. Some typical state loans were as follows:

Bavaria	\$25,000,000
Prussia	20,000,000
Hamburg	20,000,000
(\$10,000,000 and £2,000,000)	
Bremen	15,000,000
Baden	7,720,000
(Swiss francs 40,000,000)	
Oldenburg	3,000,000
Saxony	39,000,000
(\$30,000,000 for industrial works; \$9,000,000 for state mortgage banks and financing its agriculture.)	

3. Municipal Loans. Joint loans to German cities granted by the so-called Savings Bank and Clearing Union amounted to \$23,000,000. Other examples of typical municipal loans are as follows:

Berlin	\$15,000,000
Cologne	10,000,000
Munich	8,700,000
Dresden	5,000,000
Leipzig	5,000,000
Frankfort-on-the-Main	4,000,000

4. Loans to Public Utilities. Only a few of these public utilities are independent private companies. Most of them are owned or controlled by cities, provinces or states. Some of these outstanding loans were:

*United Industrial Corporation.

Rheinisch Westfaelisch Electric Works \$10,000,000
 Berlin Electric Works 28,800,000
 (Swiss francs 30,000,000 and \$23,000,000)

Berlin Electric Works 5,790,000
 Hamburg Electric Works 4,000,000

5. Church Loans. Issues placed by the Catholic Church and Catholic and Protestant welfare institutions amount altogether to approximately \$12,900,000.

PRIVATE BORROWINGS

The total of strictly private borrowings of German industrial corporations amounts to from one billion to one and a half billion marks (\$250,000,000 to \$400,000,000). Of this amount the coal, iron and steel industries are represented by:

United Steel Works Corporation \$30,000,000
 Rhein-Elbe Union 25,000,000
 Hugo Stinnes Industries 25,000,000
 August Thyssen 17,000,000

(Including \$5,000,000 short term, and \$12,000,000 long term)

Good Hope 10,000,000
 Ilseder Steel Corporation 7,500,000
 Mansfeld Mining & Smelting Co. 3,000,000

The largest single industrial borrowing from abroad is that of the German Potash Syndicate amounting to £12,000,000, or about \$60,000,000.

Typical borrowings in the electrical industries are:

Siemens & Halske \$34,000,000
 A E G (General Electric Works) ... 20,000,000
 German Atlantic Cable Company ... 8,000,000

The remainder of German borrowings went to shipping companies, department stores, optical industries, the film industry, and several other minor industries.

INDIRECT INVESTMENTS

It is difficult to ascertain with any degree of accuracy the amount of foreign investments, other than loans, placed in Germany during the period, 1924-26. It is estimated that 2,740,000,000 marks of foreign capital were imported in 1925 in addition to loans. In 1926, the capital imports of 1,700,000,000 marks were offset in part by German exports of 980,000,000 marks. Therefore, only 1,760,000,000 marks' worth of foreign money came into the country in 1925-26, aside from loans offered abroad. The following table shows the capital imported and exported from Germany in 1925-26:

CAPITAL IMPORTED AND EXPORTED*

1925 and 1926

(in billion marks)

	Total Capital imported	Consisting of	
		loans	other investments
1925	3.94	1.20	2.74
1926	0.72	1.70	—0.98 (re-exported)
Totals	4.66	2.90	1.76

INVESTMENTS IN REAL ESTATE

Investments in real estate were made by foreigners during the period of inflation amounting approximately to five billion gold marks.** It is practically impossible to determine how much real estate has since been sold or acquired by foreigners. The probabilities are that more has been sold than acquired during the last three years. It is improbable that much agricul-

tural land has been purchased, since German agriculture has not been profitable within the last few years and is still laboring under greater difficulties than any other industry. It is also improbable that any considerable amount of urban real estate has been acquired by foreigners since the inflation period.

SPECULATION ON THE GERMAN EXCHANGE

The year 1926 witnessed an exceptional rise on the German stock exchange. For-

*Estimate of Reichskredit-Gesellschaft

**Moulton & McGuire, *Germany's Capacity to Pay*, p. 90.

eign money has certainly contributed to this rise and taken advantage of it. It is difficult to estimate, however, how much has been bought for permanent investment. The general tendency of foreigners seems to have been to realize profits and to sell what had been bought earlier in the year.

It has been announced from time to time in the public press that substantial blocks of shares in German industries were traded, not in the open market, but sold by the corporations themselves or affiliated companies to foreign investors. An instance of this was the sale of certain assets of the late Stinnes estate. Since not all cases in which holdings change hands are reported in the press, it is difficult to judge to what extent they have since returned to Germany. It can safely be assumed, however, that none of the more important German industries are at present under the control or influence of foreign minority holders. The fear that has frequently been expressed in Germany that control of various industries would pass into foreign hands is not borne out by the facts. There is certainly much less connection between loan transactions and the acquisition of equity holdings than was generally anticipated, particularly in German publications.

ARE INVESTMENTS IN GERMANY SAFE?

In view of the popular discussion of the safety of German investments, it is well to consider the underlying economic and financial conditions upon which these loans are based. The financial standing of the German Reich and the German states is readily seen from the prospectuses published with their loans. They have, apart from their taxing power, substantial interests in real estate, public utilities, harbor facilities and other income-producing enterprises. Under the German constitution the states regulate their own financial affairs. They are not controlled by the Reich except that they are not allowed to levy taxes which the Reich has reserved for herself. It is within their province to float loans either at home or abroad. Since it was realized, however, that the financial

situation of Germany required a uniform policy on the part of the entire German Government and its units, the states agreed to submit their foreign loans to a federal board which is known as an Advisory Council (Beratungs-Stelle).

While the Advisory Council, as far as the states are concerned, functions only by voluntary agreement, subject to termination, it has actual legal jurisdiction over loans to be floated by the cities, municipalities, and municipal bodies.

MUNICIPAL LOANS

The question of city loans has been discussed so frequently that apparently a rather exaggerated idea has been created abroad as to the nature of municipal borrowings in foreign markets. Altogether, German cities as such, including the Savings Banks and Clearing Union which operates in the interests of cities and smaller municipalities, have taken loans to the extent of approximately \$100,000,000 according to the compilation of the Director of the Disconto Gesellschaft. It has been announced as the policy of the President of the Reichsbank that no foreign loans should be taken except for income producing purposes and preferably by corporations or bodies which have an income in foreign exchange. This last condition is fulfilled by many of the industrial corporations, but not by the public utilities or by the cities or states, with the exception of Hamburg and Bremen which have an income in foreign exchange through their port facilities.

It is very difficult in many cases to determine whether expenditures are income producing or not. There is little doubt that gas and electrical works fall into the category of income producing utilities, but there is considerable question about other public projects. A case in point is the much discussed, though never authenticated, report of a loan by one of the wealthiest German cities for the purpose of building a stadium. A stadium is not in a strict sense an income-producing institution, but on the other hand it may, by

proper management, yield an income to cover interest and amortization on the investment. It is also to be borne in mind that the promotion of sports as a means of improving public health is generally considered as a field of activity which might well be cultivated by municipalities. It is, of course, open to question whether such an undertaking should be paid for out of the proceeds of a foreign loan, although it is difficult to see a decisive difference between taking the money from foreign or internal loans. Certainly it cannot be argued that building a stadium is in itself an extravagance which would place the city, or German cities in general, on the "black list."

SUPERVISION OF CITY LOANS BY THE STATES

It should also be pointed out that the legal situation is such that the cities are supervised by the States. Although the procedure differs in various states, the general practice is the same. The cities draw up their budgets, pass them through the Assembly and then submit them to the state authorities. Cities are not permitted to float loans without the special permission of the state authorities. If a city fails to provide in its budget for the necessary funds to meet an obligation legally incurred, such as, for instance, the service for a public loan, the government is bound to enter the appropriate provision in the budget and such entry is binding on the city administration.* Under these circumstances it is hardly possible that any city might default on its debts and there is apparently no case in which a city has defaulted.

INDUSTRIAL LOANS

As to industrial loans it should be remembered that only such industries were able to apply to foreign markets as enjoyed good standing and were capable of showing sound earning power. Those which were most in need of money for organization and for working capital had to be taken care of by the German banks or had to issue their bonds in the home market. It was, therefore, only the indus-

tries of promise which floated loans abroad, so that a bond expressed in foreign currency can generally be regarded as evidence of the quality of the borrower.

Very important loans were contracted by the coal, iron and steel industries in the process of readjustment to peace time conditions. During the war they were organized for the production of war material and the return to peace made it necessary for them to reorganize their plants for the production of rails, locomotives, machinery and other industrial equipment. This process of reorganization in the individual shops was accompanied by a reorganization of the structure of the whole industry. In some cases plants were severed from their normal supply of raw materials as, for example, through the cession of Lorraine to France and Upper Silesia to Poland.

With few exceptions, notably in the case of Krupp and Kloeckner, the iron and steel works are now organized into three combines—the United Steel Works, the Middle German Steel Works, and the United Upper Silesian Steel Works. These concerns are capitalized approximately as follows:

United Steel Works	\$230,000,000
Middle German Steel Works	12,000,000
United Upper-Silesian Steel Works ..	7,000,000

With competition limited and overhead expenses considerably decreased, as a result of the combinations, the iron and steel industries certainly have achieved a more efficient and effective organization which should enable them materially to decrease production costs.

BALANCE SHEET OF THE UNITED STEEL WORKS

The balance sheet of the United Steel Works shows approximately the following figures:

	1926
Capital (Preferred and Common) ..	\$230,000,000
Reserve	19,000,000
Funded Debt	100,000,000
Current Liabilities	34,000,000
Current Assets	109,000,000
Merchandise	50,000,000
Plants	256,000,000

*See Prussia. Statutes. Law of August 1, 1883, par. 19.

POTASH INDUSTRIES, ELECTRICAL INDUSTRIES

Next in importance to the coal, iron and steel industries may be mentioned the production of potash. Germany supplies the bulk of this product which today is essential to agriculture in almost every part of the world.

There are, in addition, the electrical in-

	1913	1926
Capital	Mks. 155 million	Mks. 155 million
Reserves	74 "	16 "
Bonded Indebtedness	108 "	87 "
Accounts Payable	72 "	107 "
Cash and in banks, Notes Receivable and Accounts Receivable}	212 "	114 "
Merchandise	54 "	91 "
Land and Building	101 "	72 "
Machinery	— "	21 "
Securities	56 "	67 "
Participations	36 "	34 "

A E G reported in the fall of 1926 that its plants were working at 75 per cent of their capacity.

THE GENERAL INDUSTRIAL SITUATION

In order to give a complete picture of the German industrial situation it is necessary to mention those industries which have not to any extent yet entered the foreign money market for loans. The textile industries are well under way to regain their pre-war standing in exports and to develop new lines, like artificial silk, etc. The mechanical and machine industries suffered a most severe depression but are now on the road to recovery.

The largest industrial enterprise in Germany, capitalized at 1,100,000,000 marks, or approximately \$275,000,000, is the I. G. Farbenindustrie, the dye-stuff combine. This concern does not confine itself strictly to the production of dye-stuffs, but engages also in the production of artificial nitrate, photographic supplies, pharmaceutical articles, artificial silk, and almost all chemical products. The dye-stuff combine has not floated any loan either at home or abroad, as it was so sound economically

dustries like Siemens & Halske, and the A E G (General Electric Company). Demand for electric power is growing everywhere in the world, and so long as this trend continues there is no doubt that enterprises like the A E G and Siemens & Halske will have their share of the business. A comparison of the balance sheets of the A E G for 1913 and the last one available for 1926 is shown as follows:

and financially that it did not require new working capital after the inflation.

STOCK AND MONEY MARKETS IN 1926

A review of the general economic situation cannot ignore the astounding changes which took place in the stock and money markets in 1926. Quotations on the Berlin Stock Exchange showed an average gain of 94 per cent during the year.* Many of the representative stocks doubled and tripled their quotations. The discount rate of the Reichsbank came down from 9 to 6 per cent, and money is so easy that the government recently was able to float a five per cent loan. This extraordinary activity in the stock and money markets has given rise to considerable question as to the source of the unusual supply of money. There are several ways of accounting for the plethora of funds.

In the first place, the amount of currency in circulation has increased. Since the stabilization at the end of 1924, the volume of currency has increased from 1,300,000,000 marks at the end of 1923 to 5,250,000,000 marks at the end of 1926.**

*Statistics of the Deutsche Bank.

**Schacht, H. *Die Stabilisierung der Mark*, p. 169.

Second, there are the foreign loans which came into Germany in 1926. The third factor is the return of German capital which was exported during the period of inflation. The amount of capital that left Germany due to inflation was estimated at the time of the Dawes Plan and the McKenna report at 6,750,000,000 gold marks. With the return of confidence from the stabilization of the currency and the adoption of the Dawes Plan, a considerable amount of the capital which had sought refuge abroad was doubtless returned to Germany in 1925. It is most likely, however, that the general restoration of confidence resulting from renewed business activity in 1926 brought back considerably more of these funds than had previously returned.

GERMAN GAINS FROM EXPORT TRADE IN 1926

Another very important factor in increasing the supply of German capital was the gain in German export trade in 1926. Germany is engaged in a campaign for increasing her exports in all foreign markets, notable gains having been made in Russian and South American trade.

Perhaps the largest—though transitory—gains made by Germany during 1926 resulted from the British coal strike. In 1926 Great Britain imported £43,000,000 worth of coal and decreased its exports by £34,000,000. Thus a demand of £77,000,000, or almost \$400,000,000 worth of coal was created, which had to be taken care of by the production in other countries. Iron and steel showed an increase in imports of £6,000,000, and a decrease in exports of £12,000,000, which created a demand for iron and steel which had to be secured in foreign markets of £18,000,000, or almost \$100,000,000. Earnings in the shipping of these enormous quantities of coal and iron, and other incidental earnings must also be taken into account.*

Germany benefitted by this situation more than any other country, and if it is assumed that only one-half of the total gains resulting to foreign countries from

the British coal strike were made by Germany, it would mean that Germany improved her cash position by \$250,000,000. It is, of course, questionable whether Germany will be able to continue to enjoy these fortuitous advantages, but the important fact remains that she was furnished with working capital independently of borrowings when in the period of reconstruction it was so urgently needed.

Germany is also building up capital within its own borders. Before 1914 it is estimated that Germany accumulated approximately 12,000,000,000 gold marks annually. This figure has of course not yet been reached in the post-war period.

The estimate of the Reichskredit-Gesellschaft is that capital accumulations in 1925 and 1926 amounted each year to 6,300,000,000 Reichsmarks. It would be interesting to have the exact basis of this estimate, for it is said by very noteworthy critics that it is altogether incredible that the actual national savings should have aggregated any such amount in the time specified, particularly in 1925, which showed in the second half a falling off in industrial activities. It should not be forgotten, however, that after the adoption of the Dawes Plan, economic conditions were subject to irregular, hitherto unknown, fluctuations which are not susceptible to exact statistical determination.

THE UNEMPLOYMENT SITUATION

Despite these encouraging developments there are, however, many difficulties still to be overcome, the most serious of which is perhaps the problem of unemployment. Throughout the entire year of 1926 there was an average of 1,500,000 unemployed. The reasons for this large figure at the present time, as compared with the smaller number of pre-war unemployed, are:

1. Before the war several hundred thousand able-bodied men were absorbed by the large standing army.
2. Many women workers have taken jobs which before the war were reserved for men.

*Gt. Brit. Board of Trade. Report, 1926.

3. The general depression in German industry has prevented the use of the entire working population.

It is claimed that the unemployment figure today is as large as the number of those who before the war were living upon the income from investments without engaging in gainful employment. If the German nation was at one time able to support a large population living upon a free income, it should now be able to provide at least a minimum wage for an equal number of workers.

RELATIVE BURDEN OF INDEBTEDNESS

In order to get a true picture of the foreign indebtedness contracted by Germany within the last three years, it is necessary to summarize briefly. The foreign investments in Germany since 1923 reached five to six billion gold marks, or \$1,250,000,000 to \$1,500,000,000. Four billion gold marks were invested in real estate before 1923,* and other investments before that time, which were mostly made in paper marks and therefore depreciated in value, can still be estimated to be worth one billion marks. We then have, very conservatively estimated, at present an investment by foreigners of approximately ten billion marks or \$2,500,000,000. In comparison with other large corporate bodies this is not an unreasonably large indebtedness. For example, the total funded indebtedness of the City of New York is \$1,700,000,000; the capital and surplus of one American corporation, the United States Steel Corporation, amounts to \$1,400,000,000; foreign investments in the United States before the war amounted to approximately \$3,000,000,000. It appears that Germany today carries a smaller indebtedness to foreigners than the United States did before 1914.

In addition to the above indebtedness are the obligations of the German Government under the Treaty of Versailles. Germany is required under the Dawes Plan to pay the following amounts for the next two years:

		Approximately
1926-27	... *1,500,000,000 marks	(\$360,000,000)
1927-28	... 1,750,000,000 marks	(\$440,000,000)

and 1928-29 and thereafter 2,500,000,000 marks (\$625,000,000) annually.

There arises the question as to whether Germany is able to produce this amount and if so whether these sums can be transferred. There is further the question of which obligation has precedence—the reparation payments or the private investments. It would seem to be within the meaning of the Dawes Plan that Germany's economic life shall not be interfered with; that any transfer should be made only with due regard to the stability of the German currency. It would seem, therefore, that private investments should have the precedence just as the ordinary daily necessities of a person take precedence over extraordinary requirements, especially if Germany does not contract extravagant debts but, like any other country, borrows only for her ordinary requirements, a practice she has evidently followed up to the present time.

THE GERMAN TRANSFER PROBLEM

Equal in importance to the safety of foreign investments in Germany is the question of the ability of Germany to transfer the annual sums she is required to pay as interest and amortization on private foreign borrowings and the annual government payments under the Dawes Plan.

In order to meet its obligations on loans floated abroad, Germany must transfer approximately \$60,000,000 per annum to foreign investors, if 7 per cent interest and one per cent amortization are taken as the average on loans which are still held abroad, without allowing for the maturity of such loans as are not amortized by sinking fund (8 per cent of 3,000,000,000 marks or of \$750,000,000.) In addition to these payments on loans placed with private investors, the German Government is required under the Dawes Plan to transfer \$625,000,000 annually in the "standard" years, beginning 1928-29, partly in cash and

*Moulton & McGuire, op. cit.

*Figures for 1926-27 according to Darmstaedter und Nationalbank, March, 1927.

partly in kind to its foreign creditors. The ability of Germany to make these transfers is of the utmost importance to the United States, since Great Britain expects to pay its obligations to the United States largely out of its receipts from Germany, and the same is true of France, Belgium and Italy.

THE FUTURE OF GERMAN INVESTMENTS

As regards Germany's policy with respect to future loans in foreign markets it seems that Germany will have to issue abroad when the present internal money resources have been exhausted, and there are indications that this is, or soon will be, the case. The general tendency today, however, is undoubtedly to try the home market first and not to go abroad unless absolutely necessary. The figures for the year 1926 bear out this general trend. The Reichskredit-Gesellschaft estimated that, while in 1925 the home market was only able to take up 1,500,000,000 marks, in 1926 as many as 4,300,000,000 were raised at home. According to the "Berliner Tageblatt," however, about 3,400,000,000 marks (including 2,000,000,000 marks worth of mortgage bonds) were raised in Germany in 1926, as compared with only 1,700,000,000 marks borrowed from abroad. In January, 1927, 13,000,000 marks were placed abroad while 212,000,000 marks were borrowed in the home market; in February, 20,400,000 marks were borrowed in foreign markets as against 679,000,000 marks placed in Germany.

GERMAN INVESTMENT POLICY

It is evident from this trend that the policy of curtailing the amount of foreign borrowing as advocated by Dr. Schacht, President of the Reichsbank, and Parker Gilbert, Agent-General for Reparation Payments, apparently has borne its fruit. It should not be forgotten, however, that this policy is not approved everywhere. Many prominent foreign critics contend that the execution of the Dawes Plan would be facilitated if Germany took up at this time as many foreign credits as possible.

They argue that by bringing in foreign currency during the first years of the Dawes Plan there would be no doubt of the Reparation Agent's ability to acquire the foreign exchange necessary to transfer reparation payments, and that only by financing German industry on a very large scale is it possible to expand the German industrial plant and to prepare fields abroad so that in future years adequate foreign exchange could be produced by exports. This undoubtedly is a very interesting point of view and would perhaps result in a far-sighted policy, but it is well to bear in mind that the stimulation of German exports in order to meet payments under the Dawes Plan will have its repercussions in the form of German competition in foreign markets.

The problem of producing foreign exchange in order to make payments abroad is to be faced not only by Germany but by other states as well, who are debtors to the United States. They will also have to stimulate exports if they are to be able to secure dollar exchange with which to meet their annual payments to the United States. At the same time the United States is engaged in a campaign of increasing its exports in order to distribute the surplus production of the country.

STATISTICAL SUMMARY OF GERMAN LOANS

The following list of German loans in foreign countries, compiled by the Direction der Disconto Gesellschaft, Berlin, and published in translation with the permission of the company, covers the period from January 1, 1925, to November 10, 1926. It should be supplemented as to 1924 by 864,000,000 Reichmarks, according to statistics of the Reichskredit-Gesellschaft; this figure includes the Dawes loan of Reichmarks 800,000,000 and the loan of Friedrich Krupp A. G. of \$10,000,000. In the following is also given a supplement for the time from November 10, 1926, until the end of that year (according to statistics compiled by the "Berliner Tageblatt"). The total figures would therefore be as follows:

SUMMARY

German Municipalities, States and Public Enterprises:		Reichsmarks	Dollars
1924		800,000,000	190,400,000
1925	}	1,807,450,000	194,500,000
1926			235,660,000
		<u>2,607,450,000</u>	<u>620,560,000</u>
Private Enterprises			
1924		64,000,000	15,230,000
1925	}	1,195,260,000	120,200,000
1926			164,250,000
		<u>1,259,260,000</u>	<u>299,680,000</u>
Totals:			
Public Enterprises.....		2,607,450,000	620,560,000
Private Enterprises.....		1,259,260,000	299,680,000
		<u>RM 3,866,710,000</u>	<u>\$920,240,000</u>

Attention should be called to the fact that some of the loans in the following list were evidently not public offerings but loans which were privately placed, as for example some of the credits to Catholic Institutions, and the credit to the German Cable Company placed with the American and Continental Corporation. It should further be pointed out that some short-time transactions, like treasury notes of Hamburg, Hanover, and Chemnitz have been or are soon to be refunded by long-term issues.

Though the list may not be entirely complete or entirely correct, it is certainly an excellent illustration of German loans abroad. The vital questions of German in-

debtedness abroad are not susceptible to exact statistical research but will have to rely on estimates, particularly as to the present holdings of foreign currency loans abroad and as to foreign interests other than loans.

The list does not comprise the majority of privately placed loans, i. e., loans placed with banks, investment trusts, and insurance companies, which are not offered to the general public. The general estimates given before make allowance for these private credits, though it is naturally difficult to separate these loans, about which no information is given to the press, from investments other than loans.

GERMAN LOANS IN FOREIGN COUNTRIES*

From January 1st, 1925, to November 10th, 1926

A) Municipalities, States, and Public Enterprises

Credit-Taker	Date of Issue	Amount in Millions	Country	Credit-Giver Syndicate Manager	Rate of Int.	Years	Selling Price %
1925							
**City of Saarbruecken	Jan. 1	\$3.	U. S. A.	Ames, Emerich & Co.	7%	10	96
Saxon Public Works	Feb. 2	\$15.	U. S. A.	The Nat'l City Co.	7%	20	92
Electric Power Corporation A. G.	Mar. 1	\$ 5.	U. S. A.	Harris, Forbes & Co.	6½%	25	86
Electric Power Corporation A. G.	Mar. 1	\$ 2.5	U. S. A.	Harris, Forbes & Co.	6½%	25	87
City of Cologne	Mar. 15	\$10.	U. S. A. } Holland }	Blair & Co.	6½%	25	87½
City of Berlin	Apr. 1	\$15.	U. S. A.	Speyer & Co.	6½%	25	89
Cathedral of Cologne	Apr. 1	Hfl.0.6	Holland		7%	3	100
Saar Basin Consolidated Counties	Apr. 1	\$4.	U. S. A. } Holland }	Ames, Emerich & Co.	7%	10	97
City of Heidelberg	July 1	\$1.5	U. S. A.	Lisman & Co.	7½%	25	98½
Parishes of St. Cross & St. George at Breslau	July 1	Hfl.0.22	Holland		8%	10	—
Catholic Community of Duesseldorf	July 1	Hfl.0.75	Holland		7%	10	—
Catholic Church in Bavaria	July 1	Fl.3.	Holland		7%	5	99
City of Munich	Aug. 1	\$8.7	U. S. A.	Harris, Forbes & Co.	7%	1-20	100/93½
Free State of Bavaria	Aug. 1	\$15.	U. S. A. } Holland }	Equitable Trust Co.	6½%	1-20	100/88½
Free State of Bremen	Sep. 1	\$15.	U. S. A. } Holland } Switzerland }	The Guaranty Co.	7%	10	94¾/95¾
City of Duesseldorf	Sep. 1	\$1.75	U. S. A.	Ames, Emerich & Co.	7%	1-20	100/93%
Rhine-Main-Danube Corporation	Sep. 1	\$6.	U. S. A.	Lee, Higginson & Co.	7%	25	96
Central Bank for Agriculture	Sep. 15	\$25.	U. S. A. } Holland }	The National City Co.	7%	25	93
City of Frankfort-on-the Main	Oct. 1	\$4.	U. S. A. } Holland } Switzerland }	Speyer & Co.	7%	1-20	100%/94
Consolidated Municipalities of Wuerttemberg	Nov. 1	\$8.4	U. S. A.	Blair & Co.	7%	1-20	100.4/93.9
City of Dresden	Nov. 1	\$5.	U. S. A. } Holland }	Speyer & Co.	7%	20	94
City of Duisburg	Nov. 1	\$3.	U. S. A.	Harris, Forbes & Co.	7%	1-20	100/93%
State of Oldenburg	Nov. 1	\$3.	U. S. A. } Holland } Switzerland }	Ames, Emerich & Co.	7%	1-20	100½/93%
Hamburg Electric Co.	Nov. 1	\$4.	U. S. A.	Marshall Field Glore, Ward & Co.	7%	10	95½
Municipal Bank of the State of Hessen	Nov. 1	\$3.6	U. S. A.	Dillon Read & Co.	7%	1-20	100/93%

*By Courtesy of the Direction Der Disconto Gesellschaft, Berlin.

**This issue has been added by the writer to the original list, in which it was not contained, for the sake of completeness.

A) Municipalities, States, and Public Enterprises (Continued)

Credit-Taker	Date of Issue	Amount in Millions	Country	Credit-Giver Syndicate Manager	Rate of Int.	Years	Selling Price %
1925							
Berlin City Electric Works	Nov. 1	SFr.30.	Switzerland } Holland }	Credit Suisse	7%	15	95
Rhine-Westphalia Electric Power Corporation	Nov. 2	\$10.	U. S. A. } Holland }	The National City Co.	7%	25	94
Saxon State Mortgage Institution	Dec. 1	\$5.	U. S. A.	The National City Co.	7%	20	93 1/2
Westphalia United Electric Power Corporation	Dec. 1	\$7.5	U. S. A.	Speyer & Co.	6 1/2 %	25	87 1/2
United Industrial Corporation (VIAG)	Dec. 1	\$6.	U. S. A.	Harris, Forbes & Co.	6%	20	84 1/2
1926							
Consolidated Municipalities of the State of Baden	Jan. 1	\$4.5	U. S. A.	Blyth, Witter & Co.	7%	25	93
Bavarian Palatinate Consolidated Cities	Jan. 1	\$3.8	U. S. A.	Ames, Emerich & Co.	7%	1-20	100 1/2 / 93 3/4
"Untereibe" Power and Light Company	Jan. 1	\$2.5	U. S. A.	A. G. Becker & Co. Chicago	7%	10	87
Sachsen - Anhalt Electric Co. of Halle (Saale)	Jan. 1	\$1.	U. S. A.	Lisman & Co.	6 1/2 %	1-2	—
Cathedral of Treves	Jan. 1	Hfl.0.27	Holland	Arnold Gillisen's Bank	8%	10	100
Consolidated Hydro-Electric Works of Upper Wuerttemberg	Jan. 15	\$4.	U. S. A.	W. A. Harriman & Co.	7%	30	93
Silesia Electric Corp.	Feb. 1	\$4.	U. S. A.	Harris, Forbes & Co.	6 1/2 %	20	87 3/4
Berlin City Electric Co.	Feb. 1	\$3.	U. S. A.	Hallgarten & Co.	6 1/2 %	1-3	99/98 1/2
German Consolidated Municipalities	Feb. 2	\$15.	U. S. A. } Holland }	Harris, Forbes & Co.	7%	21	94 3/4
City of Leipzig	Feb. 2	\$5.	U. S. A.	Speyer & Co.	7%	21	94 3/4
Roman Catholic Church in Bavaria	Mar. 1	\$5.	U. S. A.	Howe, Snow & Bertles	6 1/2 %	20	93 1/2
City of Wuerzburg	Mar. 1	\$1.25	U. S. A.	Lamport & Co.	7%	25	87 3/4
Free State of Anhalt	Mar. 1	\$2.	U. S. A. } Sweden }	A. G. Becker & Co. Chicago	7%	20	101/93.88
Free State of Baden	Mar. 30	Fr.40.	Switzerland } Holland }	Credit Suisse	6 1/2 %	20	94
Stettin Public Utilities Co.	Apr. 1	\$3.	U. S. A.	Harris, Forbes & Co.	7%	20	94 1/2
Saxon Public Works A. G.	May 1	\$15.	U. S. A.	The National City Company, Lee, Higginson & Co.	6 1/2 %	25	91 1/2
Free State of Hamburg	May 1	\$5.	U. S. A.	International Acceptance Bank	5 1/2 %	1	100
Provincial Bank of the Rhineland	May 1	Hfl.12.3	Holland } Sweden }	Mendelssohn & Co.	7%	20	97 1/2
Leipzig Overland Power Companies	May 1	\$3.	U. S. A.	W. A. Harriman & Co.	6 1/2 %	20	92 1/2
Mannheim and Palatinate Electric Companies	June 1	\$3.	U. S. A.	A. G. Becker & Co. Chicago	7%	15	96 1/2
Oberpfalz Electric Power Corporation	June 1	\$1.25	U. S. A.	P. W. Chapman & Co.	7%	20	97 1/2

A) Municipalities, States, and Public Enterprises (Continued)

Credit-Taker	Date of Issue	Amount in Millions	Country	Credit-Giver Syndicate Manager	Rate of Int.	Years	Selling Price %
1926							
Consolidated Communities of Cloppenburg, State of Oldenburg	June 1	Hfl.1.	Holland	Caron & Smits	7%	25	96
City of Emden	June 1	Rmks.1.5	Holland	Arnold Gillesen's Bank	6%	35	75½
"Lech" Electric Works A. G., Augsburg	June 1	Fr.12.	Switzerland	Bank fuer Elek- trische Unternehmungen	7%	25	96
Benedictine Abbey at Ndr. Altech, near Passau	July 1	Hfl.0.15	Holland	Arnold Gillesen's Bank	8%	10	—
Archdiocese of Cologne	July 1	Hfl.0.2	Holland	Spaarnebank	6%	6	100
Roman Catholic Welfare Institutions in Germany	July 1	\$3.	Holland U. S. A.	} Howe, Snow & Bertles	7%	20	98½
Convent of St. Magdalene, of Speyer	July 1	Hfl.0.35	Holland		Arnold Gillesen's Bank	8%	10
Rhenish Electric Works, Mannheim	July 1	\$3.	U. S. A.	W. A. Harriman & Co.	7%	15	96½
Province of Westphalia	July 15	£0.835	England	N. M. Rothschild & Sons	7%	25	98½
Free State of Bavaria	Aug. 1	\$10.	U. S. A. Holland	} Equitable Trust Co.	6½%	20	94
Public Health Insurance Bureau, of Altona	Aug. 1	Hfl.0.3	Holland		Nationale Spar und Emissionsbank	7%	—
(Health Resort) Niederbreisig Co.	Aug. 1	Hfl.0.6	Holland	Hollaendische Emissie Bank	8%	—	95
German Savings Bank & Clearing Ass'n. (Cons. Municipal Loan)	Aug. 1	\$8.	U. S. A. Holland	} Harris, Forbes & Co.	7%	21	98
Free State of Prussia	Sep. 15	\$20.	U. S. A. Holland Sweden England Switzerland		Harris, Forbes & Co. International Acceptance Bank	6½%	25
City of Bochum	Sep. 30	Fr.6.	Switzerland	Credit Suisse	5%	10	—
City of Crefeld	Sep. 30	Fr.3.52	Switzerland	Credit Suisse	5%	10	—
"Unterelbe" Power & Light Company	Oct. 1	\$2.5	U. S. A.	A. G. Becker & Co.	7%	15	99¼
Franciscan Abbey Freiburg-Erlenbach, State of Baden	Oct. 1	Hfl.0.5	Holland	Spaarnebank	6½%	—	99½
Free State of Hamburg	Oct. 1	£2.	England	Baring Bros.	6%	25	93½
Free State of Hamburg	Oct. 1	\$10.	U. S. A.	Kuhn, Loeb & Co.	6%	20	91¼
City of Hanover	Oct. 1	\$2.	U. S. A.	Blair & Co.	5½%	1	99½
City of Chemnitz	Nov. 1	\$2.	U. S. A.	Blair & Co.	5½%	1	99½
Protestant Church in Germany Welfare Institutions	Nov. 1	\$2.5	U. S. A.	Howe, Snow, & Bertles	7%	20	98
Berlin Electric Elevated & Underground Railways Company	Nov. 1	\$15.	U. S. A. Holland	} Speyer & Co.	6½%	30	94½
Total: Reichsmarks 1,622,000,000 = \$386,040,000					{ 1925: \$194,500,000 1926: \$191,540,000		

B) Private Enterprises

Credit-Taker	Date of Issue	Amount in Millions	Country	Credit-Giver Syndicate Manager	Rate of Int.	Years	Selling Price %
1925							
August Thyssen Iron & Steel Works	Jan. 1	\$12.	U. S. A. } Holland }	Dillon Read & Co.	7%	5	98 ½
Siemens & Halske A. G., Siemens-Schuckert-Werke G. m. b. H.	Jan. 1	\$5.	U. S. A. } Holland }	Dillon Read & Co.	7%	3	99
Siemens & Halske A. G., Siemens-Schuckert-Werke G. m. b. H.	Jan. 1	\$5.	U. S. A. } Holland }	Dillon Read & Co.	7%	10	96 ½
General Electric Corporation (AEG)	Jan. 15	\$10.	U. S. A.	The National City Co.	7%	20	93 ¾
German Atlantic Cable Co.	Apr. 1	\$4.	U. S. A.	W. A. Harriman & Co.	7%	20	94
German Cable Co.	Apr. 1	\$0.75	U. S. A.	American and Continental Corp.	—	3	—
Silesian Coke Works	July 1	RM 4.	Switzerland	Credit Suisse	7%	15	92 ½
Mining Co. of Altmark A. G.	Aug. 1	RM 1.25	Holland	N. V. Bank en Handelsvereniging	8%	—	98
Rudolph Karstadt, Inc.	Oct. 1	\$3.	U. S. A.	Dillon Read & Co. Scholle Bros.	7%	5	97
Bank for Textile Industries	Oct. 1	£1.	England	Helbert, Wagg & Co.	7%	20	93
Good Hope Steel & Iron Works	Oct. 15	\$7.5	U. S. A. } Holland }	Lee, Higginson & Co., W. A. Harriman & Co.	7%	20	91
Good Hope Steel and Iron Works	Oct. 15	\$2.5	U. S. A.	W. A. Harriman & Co.	7%	20	92
German Potash Syndicate	Nov. 1	£8.	England } Holland } Sweden } Switzerland }	Henry Schroeder & Co.	7%	25	94 ½
Hamburg-American Line	Dec. 1	\$6.5	U. S. A.	Speyer & Co.	6 ½ %	3-15	100/99
General Electric Corporation (AEG)	Dec. 1	\$10.	U. S. A.	The National City Co.	6 ½ %	15	94
Osram G. m. b. H.	Dec. 1	\$5.	Holland } Switzerland } Sweden }	Amsterdamsche Bank	7%	25	93 ½
Universum Film	Dec. 1	\$4.	U. S. A.	Famous Players Lasky Corp.	7 ½ %	10	—
1926							
Leonhard Tietz, Inc.	Jan. 1	\$3.	U. S. A.	Lehman Bros.	7 ½ %	20	97
Rheinlbe-Union	Jan. 1	\$25.	U. S. A. } Holland }	Dillon Read & Co.	7%	20	94
Cellulose Works "Waldhof," Mannheim	Jan. 1	£0.75	England	Helbert, Wagg & Co.	6 ½ %	20	97 ½
Ilseeder Steel Corporation	Apr. 1	\$7.5	U. S. A. } Holland } Sweden }	The National City Co.	7%	20	94
Carl Zeiss Stiftung, Jena	Apr. 1	Hfl.5.	Holland } Sweden }	Nederlandsche Handels Mtj.	7%	20	94
Robert Bosch A. G., Stuttgart	Apr. 1	\$3.	Holland } Switzerland }	Amsterdamsche Bank	7%	25	94
German Potash Syndicate	May 1	£4.	England	J. H. Schroeder & Co.	7%	24	98

B) Private Enterprises (Continued)

Credit-Taker	Date of Issue	Amount in Millions	Country	Credit-Giver Syndicate Manager	Rate of Int.	Years	Selling Price %
Paper & Cellulose Works "Feldmuehle" A. G.	May 1	£0.35	England	Helbert, Wagg & Co.	7%	10	—
Mansfeld Mining & Smelting Company	May 1	\$3.	U. S. A. Holland	} Brown Bros. & Co.	7%	15	93 ½
Silesian Textile Works, Methner & Frahne A. G., Landeshut	May 1	\$1.25	U. S. A.		—	15	—
Gerresheimer Glass Works A. G., Duesseldorf-Reisholz	June 1	Hfl.0.75	Holland	N. V. Engelsch Hollandsche Bank u. Handels Mtj.	8%	5	98
MIAG Mill Machinery Co. Frankfort-Main	June 1	\$3.	U. S. A.	F. J. Lisman & Co.	7%	30	92 ½
August Thyssen Iron & Steel Works	June 1	\$5.	U. S. A.	Dillon Read & Co.	6%	short term	—
United Steel Woks Corp.	June 1	\$30.	U. S. A.	Dillon Read & Co.	6 ½ %	25	96
Deutsche Patent Waermeschutz A. G. Hoerde	Aug. 1	Hfl.0.15	Holland	Hollaend. Bank	8%	12	98
Siemens & Halske A. G., Siemens-Schuckert-Werke G. m. b. H.	Sep. 1	\$24.	U. S. A.	Dillon Read & Co.	6 ½ %	25	99
Hugo Stinnes Industries, Inc.	Oct. 1	\$12.5	U. S. A.	Halsey, Stuart & Co.	7%	20	99 ½
Hugo Stinnes Corporation	Oct. 1	\$12.5	U. S. A.	Halsey, Stuart & Co.	7%	10	99 ½
Total: Reichsmarks 1,164,280,000 = \$277,100,000					{ 1925: \$120,200,000 1926: \$156,900,000		

(A) Municipalities, States and Public Enterprises Rmks. 1,622,010,000

(B) Private Enterprises Rmks. 1,164,280,000

Grand Total Rmks. 2,786,290,000

SUPPLEMENT TO GERMAN LOANS IN FOREIGN COUNTRIES*

From November 11th, 1926 to December 31st, 1926

A) Municipalities, States, and Public Enterprises

Credit-Taker	Month in 1926	Amount in Millions	Credit-Giver	Rate of Int.	Years	Selling Price %
Saxon State Mortgage Institution	Nov.	\$4.	The National City Co. of New York	6 ½ %	20	97
Free State of Bavaria	Dec.	\$10.	Bankers Trust Co.	Treasury notes.		98
Berlin City Electric Co.	Dec.	\$20.	Dillon, Read & Co.	6 ½ %	25	
United Industrial Corporation (VIAG)	Dec.	\$6.	Harris, Forbes & Co.	6 ½ %	15	97 ½
Roman-Catholic Mathias Hospital	Dec.	Hfl.0.5	Spaarne Bank	7%	100
Diocese of Meissen	Dec.	Hfl.0.3	Theo. Gillisen's Bank	7%	100
Prussian Central Mortgage Institution	Dec.	GM 16.	N. M. Rothschild & Sons	7%	94 ½
Total: Reichsmarks 185,440,000. = \$44,120,000.						

*Berliner Tageblatt

B) Private Enterprises

Credit-Taker	Month in 1926	Amount in Millions	Credit-Giver	Rate of Int.	Years	Selling Price %
Peters Union A. G.	Nov.	Hfl.1.6	Willenmier, Van Tyen & Van Laer	7%	30	93
German Atlantic Cable Co.	Dec.	\$4.	W. A. Harriman & Co.	7%	19	99½
Housing & Realty Improvement Co.	Dec.	\$1.5	J. N. Seligman & Co.	7%	20	98
J. Bruening & Sohn	Dec.	£0.125	Teixeira de Mattos	7½%	20	96
German Linoleum Works, A. G.	Dec.	RM.2.5	Lippman, Rosenthal & Co.	7%	20	94
Total: Reichsmarks 30,980,000.=\$7,350,000.						

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